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Indo-China: Spearhead of Japan's Southward Drive

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SIGNATURE at Hanoi on September 22 of a Franco-Japanese pact which may decide the fate of Indo-China coincided with hostilities on the colony's northeastern border, where French forces resisted an invasion by Japanese troops. Terms of the pact called for establishment of three Japanese air bases in northern Indo-China, garrisoned by 6,000 troops, and immediate landing of a "limited" number of Japanese troops at Haiphong. On September 23 Secretary Hull noted that "the status quo is being upset and that this is being achieved under duress," and declared that the United States had repeatedly stated its position "in disapproval and in deprecation of such procedures."¹

During the summer of 1940 Japan has materially improved its strategic position in the Far East, both for the continued prosecution of military operations against China and for the extension of its advance into southeast Asia. Since June 20 Tokyo has enforced its will, with varying degrees of effectiveness, at Tientsin and Shanghai, in Indo-China, and in regard to Burma. The gains thus achieved were wrested mainly from Britain and France, but the effects of the Anglo-French concessions to Japan have seriously embarrassed both China and the United States. As the Chinese people entered on their fourth year of resistance to Japanese invasion, they were confronted with new difficulties of supply created by the closing of trade routes through Burma and Indo-China. The United States was not only placed in an awkward position at Shanghai, but found itself increasingly forced to assume the rôle of Japan's principal opponent.

These events—a direct result of France's military collapse in June—marked a new phase in the repercussions of the European war on the Far Eastern situation. Until Hitler launched his spring offensives, the balance of forces created by the struggle in Europe had tended to curb direct moves by Tokyo against the interests of the Western powers.^{1a}

1. *The New York Times*, September 23, 24, 1940.

1a. Cf. T. A. Bisson, "America's Dilemma in the Far East," *Foreign Policy Reports*, July 1, 1940, pp. 98, 101.

For a period of nine months Japan had been forced to accept the unwelcome alternative of prosecuting costly military offensives in China, which had netted the capture of Nanning (November 1939) and Ichang (June 1940). These gains, won and maintained only at the expense of heavy casualties and some severe defeats, have not proved any more decisive than the results of previous campaigns, although occupation of Ichang has facilitated the destructive bombardment of Chungking during recent months. On the diplomatic front, except for the establishment of Wang Ching-wei's régime at Nanking, Japan was placed almost wholly on the defensive throughout this period. Pressure against the British and French positions in the foreign concessions was greatly reduced; negotiations with the United States occasioned by abrogation of the Japanese-American trade treaty constituted a rear-guard action on Tokyo's part, successful only in the sense that it forestalled application of an embargo on shipment of American war supplies to Japan; while the state of chronic Soviet-Japanese hostility that had existed since November 1936 gave way to a *détente* marked by inconclusive negotiations for settlement of outstanding issues.

Germany's military successes in the spring of 1940 enabled Japan to resume the diplomatic offensive in the Far East. The broad strategy of Japan's new campaign involved a southward movement directed against the Western powers, combined with an attempt to placate and neutralize the Soviet Union. In the region at stake Western interests and possessions are strung out within three great radial arcs: the China coast from Tientsin to Hongkong in the first; the Philippines, Indo-China, Thailand (Siam), and Burma in the second; Malaya and the Netherlands Indies in the third. Still further to the south are Australia and New Zealand, while to the west lies India. By the spring of 1940 the positions of the Western powers within the first arc were largely undermined, not only economically but, to a considerable extent, politically as well. Since June 1939 the British and

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French concessions at Tientsin had been subjected to a Japanese blockade, more or less rigorously enforced. At Shanghai Japan controlled the Chinese city and the Hongkew area of the International Settlement, while Japanese troops operating along the mainland boundary of the Kowloon leasehold at Hongkong were able to sever the colony's land connections at any time. The Western positions were much stronger within the second arc, although even here Japan had gained territorial vantage points in Hainan at its northern and in the Spratly islands at its southern extremity, and wielded a considerable degree of political influence in Thailand. Within the third arc, except for Tokyo's statements regarding "maintenance of the status quo" in the Netherlands Indies, no overt action had yet been taken. Measured against the entire territory at stake Japan's gains during the summer of 1940 were meager, but the position it had attained in Indo-China marked the first significant result of its drive into the South Seas.

THE TIENTSIN SETTLEMENT

Since June 16, 1939, when the Japanese military authorities at Tientsin had instituted a blockade of the British and French concessions, negotiations for a settlement of local issues had proceeded intermittently between Sir Robert L. Craigie, British Ambassador at Tokyo, and the Japanese Foreign Office. After signature of the Craigie-Arita "formula" on July 24, 1939, pledging Britain's respect for Japan's military necessities in China,² new issues raised by the Japanese negotiators had led to an impasse in August.³ Although Japanese intransigence at Tientsin had lessened considerably after the outbreak of war in Europe, the local army officers had maintained a partial blockade of the British and French concessions throughout the winter. Sir Robert Craigie had meanwhile continued his negotiations over the broader issues raised by Japan in regard to the Tientsin situation, and reports that an agreement would shortly be reached became current in the spring of 1940. This agreement was finally signed on June 19, 1940, on the eve of the Franco-German armistice of Compiègne.

The British government made three major concessions, affecting police procedure in the Concession, disposition of the Chinese government's silver

deposits in local banks, and circulation of Japan's paper currency.⁴ Japanese gendarmes were henceforth "to offer information and to be present" when the Concession police took action against "persons in whose criminal activities the Japanese authorities are interested." More specifically, the Japanese gendarmes would thus assist in the "supervision" of publications, cinemas, political meetings, dealings in arms and explosives, and the "arrest and disposal" of persons engaged in activities deemed inimical to Japan's interests. In the second place, the Chinese government's silver coin and bullion in the Concession banks would be placed "under the joint seal of the British and Japanese Consuls-General," pending final Anglo-Japanese agreement on "other arrangements for its custody." Before the silver deposits were sealed, however, a sum equivalent to £100,000 sterling would be made available for flood and famine relief in North China. Finally, the British authorities agreed to permit circulation of the Japanese-sponsored currency of the Federal Reserve Bank within the Concession area. Similar arrangements were made for the French Concession at Tientsin under a parallel agreement concluded at the same time. As the Chinese silver deposits in the French Concession were nearly twice as large, a sum of £200,000 was set aside for relief purposes in this case.⁵ On the evening of June 20 the local Japanese military headquarters at Tientsin formally lifted the blockade of the Concessions, although this action did not technically form part of the agreement and was not expressly stipulated as one of its terms.

Each item of this settlement adversely affected Chinese interests, and on June 21 the Foreign Ministry at Chungking issued a statement taking sharp issue with its terms.⁶ British acquiescence on the currency question was labeled "detrimental to China's interests and hardly reconcilable" with Britain's declared Far Eastern policy, while the policing arrangements were held to provide the "possibility for interference by Japan with the administration of the British Concession" and to be "at variance with the existing Sino-British Agreement regarding the Concession." Less concern was displayed over the provisions affecting disposition of the silver, on which the Chinese government had apparently been consulted. Nevertheless, the

4. For text, cf. *Contemporary Japan* (Tokyo, The Foreign Affairs Association of Japan), July 1940, pp. 929-30.

5. The total silver deposits were estimated at 40 million Chinese dollars, of which 26 million were held in the French Concession and 14 million in the British Concession. (*Contemporary Japan*, cited, July 1940, p. 784.) At prevailing exchange rates, the £300,000 allocated for relief purposes considerably exceeded 10 per cent of the total—the proportion commonly reported to have been taken as the basis of agreement.

6. *The New York Times*, June 22, 1940; also *The China Weekly Review* (Shanghai), June 29, 1940, p. 169.

2. For text of an identical accord signed by France on June 20, 1940, cf. p. 168.

3. The British government surrendered four Chinese accused of terrorist activities to the local (Japanese-dominated) courts, but refused to go beyond this original issue when the Japanese raised further questions involving police, silver and currency matters. For details, cf. T. A. Bisson, "Japan's Position in the War Crisis," *Foreign Policy Reports*, November 1, 1939, pp. 200-201.

statement emphasized that the sealing of the silver "did not alter its status as property of the Bank of Communications and as part of the reserve of China's currency," and recorded the view that the British government was "acting as trustee for the interest of the bank and the Chinese government in respect to the balance of the silver" after the sum "set aside by the Chinese government for relief purposes in North China" had been deducted.

Developments in Tientsin during the week following June 20 suggested that the French and British agreements went somewhat further than the published text had revealed. Certain "details" still to be adjusted by local negotiations apparently included such items as passage of Japanese military trucks, as well as of Japanese tramways, through the Concessions, and also the establishment of several Japanese police offices, each containing ten men, in the French and British areas.⁷ When fulfillment of the latter provision was delayed, the Japanese gendarmerie moved into the Concessions on June 25 and established the offices without complying with the formality requiring prior agreement on procedure and details.⁸ In other respects, also, the Japanese authorities revealed that they did not regard the settlement of June 20 as final. On June 27 Chinese members of a Japanese-sponsored organization, called the League for the Return of the Foreign Concessions in Tientsin, distributed thousands of leaflets in the foreign-controlled areas, summoning the Chinese populace to arise and "drive the foreign colonies from Chinese soil."⁹

Even more significant, as an augury of future Japanese policy, was the statement issued by the Foreign Office spokesman at Tokyo on June 20, when he declared:

"The settlement at this time of the Tientsin question may do no more than create an impression that what ought to have been done has been done. The fact cannot be overlooked, however, that this question has been an impediment to a settlement of the questions of a broader and more urgent character. There are many matters in which Japan wants the cooperation of Great Britain and France in order to fulfill her national aspirations regarding East Asia. We expect that the attitudes of Great Britain and France as manifested in connection with the solution of the Tientsin question will be more emphatically reflected in connection with various other problems."¹⁰

7. *The New York Times*, June 24, 1940.

8. *Ibid.*, June 28, 1940.

9. *Ibid.* Japan's monopolization of North China's trade was extended on June 27 by new regulations of the North China Political Council specifying that all imports originating outside of Japan and Manchoukuo, with the exception of wheat, grains, wheat flour, rice, corn and kaoliang, required permits from the Federal Reserve Bank.

10. *Contemporary Japan*; cited, July 1940, pp. 930-31.

FRANCE AND INDO-CHINA

The first example of this broader "cooperation" desired by the Foreign Office spokesman had already been given by the French government. As the result of conversations held on June 19-20 between M. Charles Arsène-Henry, French Ambassador at Tokyo, and Masayuki Tani, Vice-Minister for Foreign Affairs, two agreements—in addition to that affecting Tientsin—were reached and simultaneously made public on June 20.¹¹ The first of these accords, identical in phraseology with the Craigie-Arita "formula" of July 24, 1939, read as follows:

"The Government of the Republic of France fully recognize the actual situation in China where hostilities on a large scale are in progress and note that, so long as that state of affairs continues to exist, the Japanese forces in China have special requirements for the purpose of safeguarding their own security and maintaining public order in the regions under their control and that they have to suppress or remove any such acts or causes as will obstruct them or benefit their enemy. The French Government have no intention of countenancing any acts or measures prejudicial to the attainment of the above-mentioned objects by the Japanese forces and they will take this opportunity to confirm their policy in this respect by making it plain to the French authorities and French nationals in China that they should refrain from such acts and measures."¹²

As in the case of the earlier Craigie-Arita formula, this statement went far to grant full belligerent rights to Japan in its undeclared war on China. Such an accord was significant as a declaration of principle, but it could not become wholly effective until it had been translated into specific actions by the governments concerned. It had already been applied in the Tientsin agreements, dictated, according to Tokyo, by its military requirements in China. In Shanghai, also, the French authorities made certain concessions to Japan at this time which could be construed as an application of the "military necessities" formula. On June 24 the French-patrolled Siccawei defense sector, adjoining the French Concession, was suddenly turned over to the Japanese and representatives of Wang Ching-wei's Nanking government. Withdrawal of French troops from this sector, which also adjoined the International Settlement, was arranged without prior consultation with the other defense forces

11. There was a subtle irony to these conversations. In January 1939 the French government had refused to accept Masayuki Tani as Ambassador to Paris, owing to the latter's previous activities at Shanghai and his alleged mis-statements with regard to French military aid to China.

12. *Tokyo Gazette* (Cabinet Information Bureau, Tokyo), July 1940, p. 30.

at Shanghai.¹³ Three days later, by a further agreement, the local French officials accorded the Japanese army the right to extradite Chinese arrested in the French Concession and to participate in military searches within the Concession for suspected anti-Japanese elements.¹⁴ These actions gave rise to a large-scale movement of Chinese residents from the French Concession into the International Settlement.

Even more far-reaching concessions, relating in this case to Indo-China, were made by France in a second agreement concluded on June 20. The proclaimed object of this understanding was to prohibit further transport of supplies to China via the Haiphong-Kunming Railway, but it was already evident that Japan hoped to seize the opportunity, created by France's weakness, to establish its domination of the Indo-China peninsula. The French position in Indo-China had been won by successive encroachments on the local kingdoms during the nineteenth century. As these kingdoms had previously acknowledged Chinese suzerainty, their occupation by France had eventually led in 1884-85 to war with China, which ended with China's defeat. In 1893, moreover, France had wrested from Thailand extensive areas lying along the Mekong River in the west, and incorporated them in Indo-China.¹⁵ During recent months, since the weakness of the Indo-China authorities became apparent, Thailand has been pressing for the restoration of these lost territories with the tacit support of Japan, but these claims have been rejected by the Pétain government.¹⁶

Early in 1939 the French government had formally prohibited shipment of finished munitions into Yunnan province on the Indo-China railway. When the French collapse in Europe occurred, however, the railway was still carrying the major part of China's foreign trade, including imports of military value such as trucks and gasoline and the bulk of China's exports, notably the tung oil and tin on which the American credits to China of December 1938 and March 1940 were hypothecated.

In his conversation with the French Ambassador on June 19, Masayuki Tani demanded not only that traffic be prohibited but that "the French Government consent to the dispatch of Japanese

inspectors for the purpose of making investigations of actual conditions on the spot." The French Ambassador was apparently given one day in which to submit his answer. On June 20, in a second interview with the Japanese Vice-Minister, he stated that "the French Government have since the 17th of this month forbidden the transportation of such commodities as gasoline and trucks to China, but that in view of the repeated representation of the Japanese Government they have decided to prohibit the transportation of materials and goods of an extremely wide range of varieties and that they have no objection to Japan's dispatching inspectors to the spot."¹⁷ Two Chinese protests against this understanding were delivered to France, demanding maintenance of continued transport facilities as provided in the Sino-French Agreement of 1930, but the reply of the Pétain government was characterized at Chungking on June 26 as "vague and unsatisfactory."¹⁸ By July 4 Japanese officers had established control stations at five key points on the highways and railroads leading into China, and scores of Japanese inspectors, including both military and diplomatic officials, had entered Indo-China.

During the crucial period between June 20 and July 3, when British action decided the fate of the French fleet, it appeared for a time that Japan might immediately push its encroachments on Indo-China to far greater lengths. Japanese troops were on the move in Kwangsi province along the Indo-China border, and several Japanese war vessels had been dispatched to Haiphong. The uncertainty of the Far Eastern outlook was increased on June 24, when the American fleet suddenly left its Hawaiian base under secret orders. Speculation as to the fleet's destination ranged between the Panama Canal and the Caribbean, on the one hand, or Singapore on the other. On June 30, however, the fleet again returned to Hawaii after what was termed "a routine exercise."

The possibility of stronger American action was emphasized a few days later by developments in Washington. A new Act to Expedite National Defense, signed by President Roosevelt on July 2, empowered the Executive, in the interests of national defense, to prohibit or curtail the export of military equipment and "machinery, tools, or materials, or supplies necessary for the manufacture, servicing, or operation thereof."¹⁹ Under authorization of this Act, a Presidential proclamation of July 2 listed a group of products which could be exported only after a government license had been

13. *The New York Times*, June 25, 1940; also *The China Weekly Review*, June 29, pp. 151-53.

14. *New York Herald Tribune*, June 28, 1940; *The China Weekly Review*, July 6, p. 200.

15. H. B. Morse and H. F. MacNair, *Far Eastern International Relations* (New York, Houghton Mifflin, 1931), pp. 344-56, 363-64.

16. *New York Herald Tribune*, August 14, 17, 1940; *The New York Times*, September 18, 1940.

17. *Tokyo Gazette*, cited, July 1940, p. 30.

18. *The New York Times*, June 27, 1940.

19. H.R. 9850. Public, No. 703, 76th Session, p. 3.

obtained.²⁰ The list included certain products such as machine tools which Japan was purchasing from the American market in considerable amounts, but excluded two of the most important—petroleum and scrap iron. Licenses for the products listed were not denied, but the action constituted an implied warning to Japan at a critical moment. Immobilization of the French fleet on July 3, however, undoubtedly acted as a stronger deterrent to Japan, and prospects of a Japanese occupation of Indo-China by force during this period receded, after the recall of Japanese warships from Haiphong on July 4.

CLOSING THE BURMA ROAD

Having effected the closure of trade routes through Indo-China, the Tokyo Foreign Office immediately sought to obtain similar "cooperation" from Great Britain in the case of the Burma Road.²¹ As the last route through which supplies could freely enter China by way of the sea, the 720-mile highway from Lashio to Kunming had suddenly assumed a rôle of unusual importance in Far Eastern politics. Its importance was not lessened by the fact that the bulk of China's munitions imports, including those from the Soviet Union, had been entering by this route.

As early as June 24 Masayuki Tani, the Japanese Vice-Minister of Foreign Affairs, had transmitted a formal demand through Ambassador Craigie that the British government should take "effective measures" to halt the shipment of supplies to China by way of Burma and Hongkong.²² At this time Japanese troops appeared on the mainland border of the Hongkong area, ostensibly "to mop up Chinese guerrillas," and rumors circulated that a blockade of the colony would soon be instituted. Precautionary measures were taken by the Hongkong military authorities, and preparations were made to transfer American residents to Manila. On June 28 Sir Robert Craigie informed the Japanese Foreign Minister that Britain "found it difficult to make a prompt reply" to the demand for closure of the Burma Road, but that the answer would be given as soon as possible.²³ Tension continued at Hongkong, and on July 2 two shiploads of American nationals and of British women and children left for Manila. On the following day

the Japanese Consul-General at Hongkong disclaimed any intention on Japan's part to establish a rigid blockade of the colony. Half of the 10,000 Japanese troops operating on the Hongkong border were withdrawn on July 5, and the situation here, as well as in Indo-China, seemed to be easing in the wake of the drastic British action against the French fleet.

The scope of the precautionary measures at Hongkong, as well as reports from London, indicated that Britain was prepared to adopt a firm stand. No surprise was occasioned, therefore, when Britain's reply to Tokyo, delivered by Ambassador Craigie on July 8, rejected the Japanese demands. In defending this rejection the Ambassador explained that Hongkong had "hitherto strenuously prohibited" the export of military supplies, and the British government believed that it was "meeting the demand of the Japanese government." It was naturally difficult, he continued, "to prohibit legal trade" through Burma since it included Burmese and Indian products; while, in any case, the rainy season beginning at the end of June would prevent "almost all goods transported until September" from reaching "normal quantity."²⁴ The Foreign Office communiqué at Tokyo, through which details of the British reply were released, concluded by stating: "The Foreign Minister expressed the deep dissatisfaction of the Japanese government with the British reply and emphatically stated the views and opinions of the Japanese government regarding the question. He further told the British Ambassador that the Japanese government can not but urge the British government to reconsider the matter."

On July 12 Sir Robert Craigie, armed with fresh instructions from London, held a two-hour conversation with the Japanese Foreign Minister in the course of which he accepted the main items of an agreement which closed the Burma Road.²⁵ Only four days had elapsed since the original rejection of the Japanese demands. No essential changes in the situation were apparent during this interval; at Hongkong, in fact, the previously existing alarm seemed to have materially lessened. Active diplomatic negotiations, however, had occurred in London and Tokyo. On July 10 Masayuki Tani had warned Sir Robert Craigie that Japan could not "wait much longer," while a meeting of the chief Cabinet Ministers had agreed on "strong final measures that will be applied if Britain attempts further to delay her reply to Japan's requests."²⁶ On the same day Japan's

20. For this list, cf. Department of State, *Bulletin*, July 6, 1940, pp. 12-13.

21. Burma, another of China's former dependencies, was annexed to British India in 1862 (Lower Burma) and 1886 (Upper Burma). Under the provisions of the Government of India Act of 1935, Burma was separated from British India, though still kept under Britain's control.

22. *New York Herald Tribune*, June 26, 1940.

23. *The New York Times*, June 28, 1940.

24. *Contemporary Japan*, cited, August 1940, p. 1078.

25. *The New York Times*, July 13, 1940.

26. *Ibid.*, July 11, 1940.

trump card seems to have been played at London, where the Japanese Ambassador warned Richard A. Butler, British Under-Secretary for Foreign Affairs, that Britain's attitude "was strengthening the hands of extreme nationalists in Tokyo who were demanding a German-Japanese military alliance."²⁷ Similar arguments employed at Tokyo had apparently led Sir Robert Craigie to believe that the extremists would overthrow the Yonai Cabinet unless Japan's terms were speedily accepted.

Nearly a week passed before the agreement was fully confirmed. Meanwhile a speech broadcast on July 14 by the Acting Governor of Malaya, S. W. Jones, disclosed that the British government was seeking to arrange a Sino-Japanese peace settlement, and claimed that the results of the attempt would shortly be made public.²⁸ On the following day Quo Tai-chi, Chinese Ambassador at London, lodged a formal protest with the Foreign Office and criticized suggestions of a peace move as "adding insult to injury." The Chinese government, he declared, had "no more thought of negotiating now with Japan than Britain has with Germany."²⁹ At Washington Secretary Hull issued a statement on July 16 declaring that the American government had "a legitimate interest in the keeping open of arteries of commerce in every part of the world" and considered that action taken to close the Burma route or the Indo-China railway "would constitute unwarranted interpositions of obstacles to world trade."³⁰ On the following day Geoffrey Mander, a Liberal member of Parliament, challenged the Anglo-Japanese agreement in the House of Commons as "appeasement of an aggressor."³¹ In an effort to allay widespread criticism, Prime Minister Churchill presented a formal statement to the House of Commons on July 18. In this statement the terms of the agreement were outlined as follows:

"Hong Kong—The export of arms and ammunition from Hong Kong has been prohibited since January 1939, and none of the war materials to which the Japanese Government attach importance are in fact being exported.

"Burma—The government of Burma has agreed to suspend for a period of three months the transit to China of arms and ammunition as well as the following articles: petrol, lorries and railway material. The categories of goods prohibited in Burma will be prohibited in Hong Kong."³²

The text of the agreement released by the Japanese Foreign Office contained a third clause, reading as follows: "The Japanese consular officials in Hongkong and Rangoon will maintain a close contact with the British authorities regarding the measures to be taken for the purpose of rendering this prohibition effective."³³ To this Hugh Byas, Tokyo correspondent of *The New York Times*, added a further point: "An understanding was reached by which consulate staffs [i.e., obviously the Japanese staffs in Hongkong and Rangoon] will be increased but this will not figure in the agreement."³⁴ The Anglo-Japanese agreement disclosed for the first time that Britain had officially prohibited the export of arms from Hongkong as early as January 1939. Only three months previously, on September 30, 1938, the British representative at Geneva had concurred in the League Council's report which applied sanctions to Japan under Article 16, although not on a concerted basis, and imposed an obligation on League members to do "nothing that might weaken China's power of resistance" and "to consider how far they can individually extend aid to China."³⁵

In presenting his case to the House of Commons, Prime Minister Churchill stressed the fact that Britain was "engaged in a life and death struggle." He declared that British policy, as repeatedly defined, sought "a free and independent future" for China and an improvement of "our relations with Japan." In order to "achieve these objectives two things were essential—time and relief of tension." It was clear, he said, that "tension was rapidly growing owing to Japanese complaints about passage of war material by the Burma route." Yet, "to agree to permanent closure of the route would be to default from our obligations as a neutral and friendly power to China. What we have therefore made is a temporary agreement in the hope that the time so gained may lead to a solution just and equitable to both parties of the dispute and freely accepted by them both."³⁶

Generalissimo Chiang Kai-shek had already presented China's case in a statement issued on July 15 at Chungking:

"China for the last three years," he declared, "has resisted aggression with a will that cannot be shaken by coercion on the part of a third power. Should Britain make any such attempt, she would defeat her own purpose, to her serious detriment. If, by closing the Burma route, she hopes to shorten the war in the Far East, I am sure, on the contrary, she would lengthen

27. *Ibid.*

28. *Ibid.*, July 15, 1940.

29. *Ibid.*, July 16, 1940.

30. *Ibid.*, July 17, 1940.

31. *New York Herald Tribune*, July 18, 1940.

32. *The New York Times*, July 19, 1940.

33. *Contemporary Japan*, cited, August 1940, p. 1079.

34. *The New York Times*, July 13, 1940.

35. League of Nations, *Official Journal*, Vol. 19, Nos. 7-12, July-Dec. 1938, p. 879.

36. *The New York Times*, July 19, 1940.

its duration and widen the scope of hostilities. Should Britain try to link the question of the Burma route with the question of peace between China and Japan, this would virtually amount to assisting Japan to bring China into submission. . . . As long as China has not attained the object for which she has been fighting and suffering, namely, the preservation of her sovereignty and territorial and administrative integrity, she will not lay down her arms. Britain, as well as other countries, must realize that the revolutionary spirit of new China is coupled with an indomitable will to resist, and has not known defeat."³⁷

On July 16, four days after Ambassador Craigie had agreed to the details effecting closure of the Burma Road, the Japanese Cabinet headed by Admiral Mitsumasa Yonai, confronted by resignation of the War Minister, was forced out of office. Prince Fumimaro Konoye, sponsor of a proposed totalitarian political system, was designated by the Emperor to head the next Cabinet, whose formation was completed on July 22. Yosuke Matsuoka, ex-president of the South Manchuria Railway and a pronounced nationalist, was appointed to the Foreign Ministry. Two of the "national socialist" bureaucrats most active in building Manchoukuo's state régime, Naoki Hoshino and Chuichi Ohashi, were also given positions in the Cabinet, the former as Minister without Portfolio and the latter as Vice-Minister of Foreign Affairs.

Addressing the nation by radio on July 23, the new Premier declared: "As is well known, the international situation has changed radically. The old world order has ended in Europe, and there are growing indications that the change will spread to other parts of the world."³⁸ A formal statement of policy, issued on August 1, declared that the government intended to establish a totalitarian state and create "a new order for Greater East Asia," including Indo-China and the Netherlands Indies.³⁹ One of the Premier's first acts was to establish closer liaison with the military services, by which the influence of the army was extended more directly over the whole field of administration. Instead of strengthening the "moderates" in the Yonai Cabinet, Britain's concessions with regard to the Burma Road apparently served to usher a military-fascist government into power in Tokyo.

Efforts by Sir Robert Craigie to renew the Anglo-Japanese rapprochement conversations at Tokyo were rebuffed on July 27 by Yosuke Matsuoka, Japanese Foreign Minister, who indicated that the new Cabinet was undertaking a reconsidera-

tion of "the whole question of Japan's foreign policy."⁴⁰ On the same day 12 British nationals, comprising 11 business men and one newspaperman, Melville J. Cox, were arrested without warning in sudden raids at various points in Japan. The raids were conducted by Japanese military police, under the direction of prosecutors, as "the first step" against an alleged "British espionage network covering the entire country."⁴¹ On July 29 Mr. Cox, chief correspondent of Reuters News Agency, died while undergoing examination by the Japanese authorities. According to Japanese reports, he had committed suicide by leaping from the second floor of the Tokyo gendarmerie headquarters, where he was being questioned. Official protests failed to secure the release of the British nationals, and further arrests occurred on July 30 in Japan and Korea. On August 2 British police, under warrants issued by the Home Secretary, arrested the chiefs of the Mitsui and Mitsubishi branch offices in London, while several other Japanese nationals were later placed under detention in Singapore and Rangoon. Commenting on protests by the Japanese Ambassador, who claimed that the arrests would have an "unfortunate effect" on Anglo-Japanese relations, a Foreign Office spokesman at London stated that there was no question of retaliation and deplored the fact that "such eminent Japanese citizens" should have committed acts justifying their arrest "under the defense act."⁴² Tension between the two countries diminished following gradual release of the arrested men, beginning early in August.

JAPAN'S MOVES AT SHANGHAI

Orders for the withdrawal of British troops from Shanghai and North China, announced in a terse statement from London on August 9, again called attention to the steady pressure which Japan was maintaining against the Western powers in the Concessions.⁴³ Following the Tientsin settlement, as already noted, the French Concession authorities had yielded to Japan's demands on several issues.⁴⁴ On another front, the Shanghai Municipal Council retreated before Japanese pressure on July 2, when it turned over the records of the Chinese Land Office to the Japanese Consul-General for transmission to Fu Siao-en, puppet

37. *Ibid.*, July 17, 1940.

38. *Contemporary Japan*, cited, August 1940, pp. 1079-81.

39. *The New York Times*, August 2, 1940.

40. *New York Herald Tribune*, July 28, 1940.

41. *Ibid.*, July 30, 1940.

42. *Ibid.*, August 4, 1940.

43. Sir Robert Craigie had already discussed the issue of British troop withdrawal with the Japanese authorities at the end of June, when the demand for closure of the Burma Road had first been presented. Cf. *New York Herald Tribune*, June 30, August 10, 1940.

44. Cf. pp. 168-69.

mayor of the Greater Shanghai municipality.⁴⁵ A spectacular wave of terrorism, which swept Shanghai during July and August, formed an additional aspect of the campaign to bring full acknowledgment of the Nanking régime's authority over the foreign-controlled areas.

This period was ushered in by a sharp conflict which followed the arrest of 16 armed Japanese gendarmes in civilian clothes discovered in the American defense sector on July 7 by a detachment of U.S. Marines. The Japanese authorities admitted the impropriety of armed gendarmes in the American sector, but claimed that the men had been brutally treated by the marines and demanded an apology. In the midst of a bitter anti-American campaign stimulated by this incident among Japanese in Shanghai, the Nanking régime issued an order on July 15 for the deportation of six Americans and one Briton, residents of the International Settlement; earlier, on July 1, Wang Ching-wei had ordered the arrest of 84 Chinese who were living in the foreign areas. On July 19 Samuel H. Chang, a Chinese listed for expulsion who was connected with the American-owned *Shanghai Evening Post*, was assassinated, while Hallett Abend, correspondent of *The New York Times* but not on the blacklist, was assaulted in his apartment.⁴⁶ These events were quickly overshadowed by Britain's decision to withdraw its troops from China.

Less than 200 British troops were stationed in North China. Withdrawal of these troops, effected on August 18, left a force of some 350 American marines in the north, of which 250 were in Peiping and 100 in Tientsin.⁴⁷ The problem in Shanghai was both more important and more acute. Extensive foreign investments, totaling well over one billion dollars on a pre-war valuation, were at stake.⁴⁸ Moreover, the Shanghai Bund constituted the last strip of Chinese coastal territory where foreign trade could carry on relatively unaffected by arbitrary restrictions. Approximately 1,570 British troops were stationed in the International Settlement. With the 1,050 American soldiers in

Shanghai, a total Anglo-American force of approximately 2,600 troops was available to guard the Settlement boundaries. There were, in addition, about 1,000 French and 200 Italian troops at Shanghai. While these contingents were not large, especially in relation to the Japanese forces at hand and available on short notice, they were sufficient to hold Japan's more extreme pretensions in check and to constitute a steadying influence of very great importance.

Withdrawal of the British units, moreover, did not merely subtract that number of troops from the force engaged in the task of defending the Settlement. It raised a delicate problem involving the re-allocation of defense sectors. In periods of crisis at Shanghai, the city's defenses had by common custom been divided into different sectors, each manned by the troops of one of the major treaty powers. This division was effected by a group decision of the ranking commanders of the various international contingents. At the outbreak of hostilities in 1937 defense sectors were thus allocated to British, American, Japanese, Italian and French forces, although the latter were stationed mainly at the outer boundaries of the French Concession. The Hongkew area, allotted to the Japanese forces at that time, immediately became a base of military operations against the Chinese forces. In this section of the Settlement, the Shanghai Municipal Council has never since been able to reestablish its administrative and police control, which was overridden by the occupying Japanese forces.

The Hongkew area lies to the north and east of the strategic waterfront area commonly known as the Bund, behind which Shanghai's great business establishments are located. Defense of this sector, traditionally maintained by Britain, involved control of the heart of the Settlement. When the British withdrawal was announced the issue immediately arose as to which of the remaining foreign contingents should take over defense of Sector B, as the central waterfront area was technically known. There could be but two claimants, the Japanese and the Americans, since these alone had sufficient forces on hand to guard the area.⁴⁹ If the Japanese claim were accepted, however, the position of the Western powers in the Settlement would be rendered untenable, since the Municipal Council would be unable to maintain the integrity of its police and administrative services. The last refuge for foreign and Chinese business interests at Shanghai would thus be lost.

On August 15 a meeting of the Shanghai Defense Committee, on which the ranking com-

45. *The China Weekly Review*, July 6, 1940, p. 211. In 1937 the Chinese government had entrusted the Municipal Council with the keeping of these documents, which contained registration of Chinese and foreign owned property in the entire city.

46. *The New York Times*, July 20, 1940. Several further assassinations of Chinese occurred at this time, and the listed Americans found it necessary to employ personal bodyguards or wear bullet-proof vests. Between July 1 and August 7 the wave of political terrorism in Shanghai had accounted for 10 persons assassinated, 23 wounded, including 18 injured in the bombing of the Chinese-owned newspaper *Shun Pao*, and 10 kidnapped. *New York Herald Tribune*, August 8, 1940.

47. There were also about 230 French troops and 130 Italian troops divided between the two cities.

48. C. F. Remer, *Foreign Investments in China* (New York, Macmillan, 1933), p. 73.

49. The French troops were required for defense of the French Concession, the authorities of which were, in any case, already in retreat before Japanese pressure.

manders of the foreign troops are represented, decided by a majority vote to award jurisdiction of Sector B to the American forces.⁵⁰ Sector D, an area lying on the western borders of the Settlement which had also formerly been under British control, was awarded to the Japanese. The Japanese representative voted against the motion and reserved the right to submit an alternative proposal.⁵¹ On August 16 the local Japanese commander demanded the right to "take over all of the defense sector in the International Settlement [which] the British would shortly abandon."⁵² Local efforts at settlement soon reached a deadlock and on August 19 Admiral Thomas C. Hart, commander-in-chief of the United States Asiatic fleet, disclosed that the issue had become the subject of negotiations between Washington and Tokyo.⁵³ On the same day it was revealed that occupation of Sector B by the United States 4th Marine Corps had been postponed, and that the Shanghai Volunteer Corps, a local militia force, would temporarily replace the British troops. This *modus vivendi* went into effect on August 26, when the last British troops withdrew from Shanghai.

The basic issue still remains open, and negotiations looking toward a final settlement have meanwhile continued at Washington and Tokyo. On September 4 Secretary Hull issued a formal statement recapitulating the course of the dispute and stressing the fact that "the American Consulate General and a considerable number of other important American interests are located in Section B, which sector lies between the present American sector and the waterfront at which American naval vessels are customarily anchored." In conclusion, he declared: "As this matter is of substantial importance to all concerned . . . it is the hope of this government that a reasonable settlement, considerate of all interests involved, for assumption of responsibility in Sector D by the Japanese defense forces and in Sector B by the American defense forces will soon be arrived at."⁵⁴

INDO-CHINA AND AMERICAN POLICY

Following the Franco-Japanese agreement concluded in Tokyo on June 20, an unusually large number of Japanese agents was sent to Indo-China.⁵⁵ In addition to their nominal function of supervising traffic with China, these inspectors en-

gaged in economic and geographic surveys and undertook the mapping of strategic communication routes. Important negotiations were also instituted between French and Japanese officials. In mid-July, before the Yonai Cabinet was overthrown, a military mission headed by General Issaku Nishihara had already presented certain demands to the local French authorities. Despite its strong bargaining position the mission made slight headway, and when the new government was formed at Tokyo its leader was recalled for consultation. After conferring with Premier Konoye and other government heads, General Nishihara returned to Hanoi in August to complete the negotiations.

Authoritative information on the scope and details of the Japanese demands has been lacking, although naval and air bases, and the right of passage for Japanese troops through Indo-China to the Yunnan border, have all figured in the unofficial reports. The political and diplomatic aspects of the local situation are exceedingly complicated. It is claimed that certain of the military and naval leaders in Indo-China are much less inclined to make concessions to Japan than the French government at Vichy.⁵⁶ Other reports have suggested that Germany, unwilling to let this rich prize go to Japan, has been stiffening the resistance of the Vichy leaders—thus accounting for the slow progress made by the Japanese negotiators.⁵⁷

The Chinese government is most vitally and directly concerned with the outcome of the negotiations at Hanoi. Official statements from Chungking have warned that Chinese armed forces will be sent across the border if Japanese troops are permitted to enter Indo-China.⁵⁸ Sixteen Chinese divisions, totaling 120,000 troops, have been concentrated along a 105-mile stretch of the southwestern Yunnan border region.⁵⁹ French authorities at Hanoi thus face the prospect of having Indo-China become a battleground in the Sino-Japanese conflict, should they be forced to yield to the Japanese demands. The presence of Japanese forces in Indo-China would raise questions almost equally grave for other countries in southeastern Asia. It would strengthen Japan's growing influence in Thailand, where Britain is waging a stiff diplomatic campaign to maintain its traditional position.⁶⁰ Japanese naval and air bases in

50. The British and French commanders supported the Americans in this decision, while the Italian commander abstained from voting.

51. *New York Herald Tribune*, August 15, 16, 1940.

52. *The New York Times*, August 17, 1940.

53. *Ibid.*, August 19, 1940.

54. *Ibid.*, September 5, 1940.

55. Cf. p. 169.

56. *The New York Times*, September 5, 1940; *New York Herald Tribune*, September 12, 1940.

57. *The New York Times*, August 23, 27, 1940.

58. Cf. statement of August 28 by Wang Chung-hui, Chinese Foreign Minister. *Ibid.*, August 29, 1940.

59. *New York Herald Tribune*, September 12, 1940.

60. A pact between Japan and Thailand, pledging non-assistance to any third power attacking either of the signatories,

Indo-China, moreover, would add greatly to the defense problems of the Netherlands East Indies and Malaya.

Early in September it appeared that the Franco-Japanese negotiations over Indo-China had reached a climax. A reported Japanese ultimatum at Hanoi was said to have demanded "right of passage" for Japanese troops across Indo-China, while an agreement at Vichy, was understood to have granted "certain military privileges" to Japan, subject to detailed approval and application by the local negotiators.⁶¹ At this point the United States and Great Britain stepped into the picture. On September 4, coincident with his *démarche* with regard to the Shanghai defense sector, Secretary Hull issued a statement reaffirming American interest in maintaining the *status quo* of the Netherlands Indies and Indo-China. The declaration pointedly dealt with the situation in the latter colony. After stating that the American government "was reluctant to give credence" to reports of "a Japanese ultimatum to the authorities of French Indo-China," Secretary Hull concluded: "The situation and the subject to which these reports relate is, however, a matter to which this government attaches importance, and it stands to reason that, should events prove these reports to have been well founded, the effect upon public opinion in the United States would be unfortunate."⁶² On the following day Lord Halifax, British Foreign Secretary, stated in the House of Lords that Britain felt it had an interest in the preservation of the *status quo* in French Indo-China, while at Washington Secretary Hull conferred with Lord Lothian, the British Ambassador, and Richard G. Casey, the Australian Minister, suggesting that concerted measures—possibly involving American use of British bases in the Pacific—were under consideration.⁶³

This evidence of a firmer American policy and closer Anglo-American cooperation in the Pacific followed closely on the heels of the agreement, announced September 3, by which 50 American destroyers were exchanged for the lease of British naval and air bases in the Western Hemisphere. In connection with Britain's pledge never to sur-

render or scuttle its fleet, moreover, Washington circles had on September 4 emphasized the American government's intention to keep its fleet in the Pacific.⁶⁴ After these steps had been taken, the immediate threat of a direct invasion of Indo-China by Japan's armed forces seemed to have passed. Negotiations were still proceeding at Hanoi and Vichy, however, with the possibility that Japan might yet secure the military privileges it was demanding. A further move by Washington was suggested on September 5, when it was revealed that the National Advisory Defense Commission was preparing to recommend a complete embargo on the export of iron and steel scrap.⁶⁵

Although the Congressional Act of July 2 had vested in the President extensive powers to prohibit the export of commodities essential to national defense, the authority has thus far been sparingly used. The list of commodities originally subjected to licensing provisions by Presidential proclamation on July 2 had not included petroleum or scrap iron—two of the major American exports to Japan.⁶⁶ This omission was partially remedied on July 26, when aviation gasoline, tetraethyl lead, and iron and steel scrap of the Number 1 grade were added to the list of commodities for which export licenses were required.⁶⁷ Crude petroleum, however, was not included in the list, while only 15 or 20 per cent of Japan's purchases of American scrap consist of the Number 1 grade.⁶⁸ In any case, as licenses were apparently still being granted, no actual restrictions on the export of these commodities had yet been applied. On July 31, however, President Roosevelt applied a specific embargo to the shipment of aviation gasoline to any country outside the Western Hemisphere.⁶⁹ This action led to the first official Japanese protest, delivered by Ambassador Hironouchi to the State Department on August 3. The text of the note was not made public, and the same reticence was observed in the case of the American reply, handed to the Japanese Ambassador on August 9 by Sumner Welles, Acting Sec-

64. *The New York Times*, September 5, 1940.

65. *Ibid.*, September 7, 1940.

66. Cf. pp. 169-70.

67. Department of State, *Bulletin*, July 27, 1940, pp. 49-50. On September 13 equipment and processes for production of aviation fuel, aircraft and aircraft engines were added to the list.

68. The division between the various grades of scrap is somewhat tenuous, so that exporters may be able to include some of the Number 1 grade in bulk shipments if licenses are denied. In July Japan placed a record-size order for American scrap, aggregating 300,000 tons.

69. Department of State, *Bulletin*, August 3, 1940, p. 94. Despite this prohibition, large shipments of high octane gasoline capable of being redistilled into aviation gasoline continued to move from American ports to Japan. *The New York Times*, September 2, 8, 1940.

was signed at Tokyo on June 12, 1940. (*Tokyo Gazette*, cited, July 1940, pp. 26-27.) Britain and France immediately concluded similar non-aggression treaties with Thailand.

61. *The New York Times*, September 4, 1940. The ultimatum was apparently rejected by Vice-Admiral Jean Decoux, Governor-General of Indo-China, on September 2. Indications are that it was delivered by General Nishihara on his own initiative, and that the Tokyo authorities refused to support him.

62. *Ibid.*, September 5, 1940.

63. The statements by Lord Halifax and Secretary Hull were accompanied by formal diplomatic representations at Tokyo. The Indo-China Purchasing Mission, however, was unable to place orders for munitions at Washington.

retary of State.⁷⁰ It was learned, however, that Japan's protest was restricted to the issue of aviation gasoline, indicating that licenses have been forthcoming for the other listed items, including steel scrap.

CONCLUSION

Japan's strategic gains during the summer of 1940 lie mainly in two spheres. The pressure applied in Shanghai and Tientsin has weakened the defenses of the foreign concessions, and left them more vulnerable to an eventual *coup de grâce*. Much greater significance attaches to the closure of the Chinese routes of supply through Burma and Indo-China. It would be premature to conclude that Chinese resistance will soon collapse as the result of a reduction of imported supplies. Most of China's munitions are manufactured locally, some stocks of heavy munitions have been accumulated, and partial replacements can be made across the overland route from the Soviet Union. In the long run, however, continued inability to obtain minimum supplies of heavy munitions will tend to weaken China's powers of resistance, and might even encourage the possibility of a dictated peace settlement. Should Japan win this primary objective, it would be able to throw its full resources into an offensive against southeast Asia.

The hesitant course of Japan's advance in this region, given the unrivaled opportunities presented during the past summer, offers the clearest indication of the extent to which its resources have been strained by three years' warfare in China. Tokyo's recent gains, on a sober analysis, have been won more through the default of Western powers than by a demonstration of real strength. The Japanese government has capitalized on the advantages deriving from French weakness in Indo-China and from Britain's willingness to make concessions with regard to China. But it has been content with such results as could be won through diplomatic pressure, backed by the threat rather than the use of force. The most obvious example of this procedure is Indo-China itself, where under the most favorable conditions Japan long hesitated to enforce its demands, and the Hanoi negotiations dragged on until late September. The Netherlands East Indies offers a similar case. Japanese spokes-

70. *The New York Times*, August 4, 10, 1940.

men have openly included these rich islands in the "Greater East Asia" projected in Tokyo, but the summer months passed with surprisingly little action. Steps actually taken may be summed up in the fact that a Japanese trade mission headed by Seizo Kobayashi, Minister of Commerce, finally arrived in Batavia on September 12 to open economic discussions.

In the larger field of foreign policy, Japan still hesitates to conclude an outright alliance with Germany and Italy. After two months in office the Konoye government, despite its well-advertised extremism, has not deviated essentially from the cautious program of the Yonai Cabinet. It still maintains the "independent" policy of "non-involvement" in the European war which it inherited from the two previous régimes. This hesitancy to define its position is not from choice, since it is obvious that Japan's diplomatic evolution has increasingly placed it on the side of the Berlin-Rome axis.

The reasons for the caution displayed by Tokyo are essentially connected with the difficulties which it has encountered in its own sphere of action. Its military and economic resources are heavily mortgaged for the campaign in China, in which roughly one million troops, a considerable proportion of its shipping, and much of its air force are engaged. The prolonged test of strength with China has deprived Japan of the economic margin necessary to cover a large-scale conflict with a third power. Elementary prudence dictates that the vision of a "Greater East Asia" under Tokyo's control be achieved without courting the risk of serious opposition.

These basic factors in the Far Eastern situation indicate that it is still possible to place an effective check on Japan's expansion, and to prevent an eventual German-Japanese alliance. Before this end can be accomplished, however, the fact that Japan's military commitments in China represent the principal obstacle to the realization of its larger imperial ambitions must be more generally recognized in Britain and the United States. In the fourth year of its struggle, China stands out more clearly than ever as the major ally, the first line of defence, of the Western powers in Asia. Successful defense of their positions in that region may well turn on the ability of these powers to find means of extending effective assistance to China.

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EUROPE UNDER NAZI RULE

By Vera Micheles Dean